



**UMVOTIMUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2011**

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 45, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**I J M ARCHER**  
**ACTING MUNICIPAL MANAGER**

31 August 2011

**Date**

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor	P G Mavundla	:	Mayor, Exco. Chairperson
Councillor	Z W Xaba	:	Deputy Mayor
Councillor		:	Exco Member
Councillor	A M Shaikh	:	Speaker

### **GRADING OF LOCAL AUTHORITY**

GRADE      SIX (6)

### **AUDITORS**

OFFICE OF THE AUDITOR-GENERAL

### **BANKERS**

ABSA BANK

### **REGISTERED OFFICE**

106 PINE STEET  
Greytown  
3250

### **TELEPHONE**

033-4139100

### **ACTING MUNICIPAL MANAGER**

I J M Archer

### **ACTING FINANCIAL MANAGER**

M E Swanlow

## MEMBERS OF THE UMVOTI MUNICIPAL COUNCIL

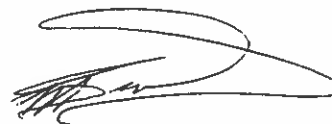
PR	:	Z C NGEMA
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PR	:	P T ZUMA
PR	:	AM SHAIKH
PR	:	Z W XABA
PR	:	E S SHANGE
PR	:	P R BUSS
PR	:	M S YENGWA
PR	:	D N ZONDI
PR	:	I S NYOKA
PR	:	V S PILLAY
W1	:	B E MLONDO
W2	:	P G MAVUNDLA
W3	:	B G DLADLA
W4	:	S V ZONDI
W5	:	R MAHARAJ
W6	:	M L SHEZI
W7	:	S A NZAMA
W8	:	E N MNCUBE
W9	:	K L CHONCO
W10	:	N S V MAPHAGA
W11	:	M R DLAMINI
<b>MAYOR</b>	:	<b>P G MAVUNDLA</b>
<b>DEPUTY MAYOR</b>	:	<b>Z W XABA</b>

### APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements set out on pages 01 to 45 were approved by the Acting Municipal Manager on 30 August 2011 and will be presented to and approved by Council on 3 October 2011.



**ACTING MUNICIPAL MANAGER**  
(Accounting Officer)



**FINANCIAL MANAGER**

**UMVOTI MUNICIPALITY  
ACCOUNTING POLICIES  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

## **1. BASIS OF PRESENTATION**

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
CRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

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Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, unless otherwise stated.

**1.1 Presentation of currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

**1.2 Going concern assumption**

These annual financial statements have been prepared on a going concern basis.

**1.3 Standards, amendments to standards and interpretations issued but not yet effective**

**GRAP 18: Segment Reporting – issued March 2005:**

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

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**GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – Issued February 2008:**

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial.

**GRAP 24: Presentation of Budget Information in Financial Statements – Issued November 2007:**

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

**GRAP 103: Heritage Assets – Issued July 2008:**

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have already been adopted.

## **2. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

**UMVOTI MUNICIPALITY  
ACCOUNTING POLICIES  
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### **3. RESERVES**

#### **3.1 *Capital Replacement Reserves (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

CCR is included in Accumulated Surplus in the Statement of Financial Position.

#### **3.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Capitalisation Reserve is included in Accumulated Surplus/deficit in the Statement of Financial Position.



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### **3.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government Grant Reserve is included in Accumulated Surplus/deficit in the Statement of Financial Position.

### **3.4 Donations and Public Contribution Reserve**

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and Public Contribution Reserve is included in Accumulated Surplus/Deficit in the Statement of Financial Position. In the prior year it was separately disclosed.

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ACCOUNTING POLICIES  
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### **3.5 Revaluation Reserve**

The surplus arising from the revaluation of the timber plantations is credited to the revaluation reserve.

The plantations have been leased to Messrs Mondi Forests for a period of 30 years commencing on 1 October 1987. In accordance with the lease agreement, the rental payable is adjusted annually based on 90% of the increase in the consumer price index. During the current year the rental amounted to R 2 000 760. The agreement also provides that the Lessee shall use its best endeavours to fell timber in a proper cycle in order to attempt to secure that when the lease expires. The Council will receive the plantations in a proper cycle with a reasonable spread of age classes. The timber plantations are reflected at the estimated fair value as at 31 July 2011 calculated by the council's consultants.

## **4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation . Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

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	<b>YEAR</b>	<b>OTHER</b>	<b>YEARS</b>
<b>Infrastructure</b>			
Roads and Paving	10 to 20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Major Sub Station Buildings	20	Other Vehicles	5
Transformers and related equipment	20	Office equipment	5
Mains	20	Furniture and Fitting	10
Housing	30	Radios	5
Street Lights	20	Robots	10
		Other items of plant and equipment	3
<b>Community</b>			
Buildings	30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

In 2010/2011 the requirements of GRAP17 were not complied with as follows:

- Review of useful life of items of property, plant and equipment recognized in the annual financial statements.
- Review of depreciation method applied to property, plant and equipment recognized in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognized in the annual financial statements

The council has appointed MAMS to ensure that GRAP 17 is fully complied with by the end June 2012 (see note 8).

**UMVOTI MUNICIPALITY  
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## **5. FINANCIAL INSTRUMENTS**

### **5.1 *Investments***

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **5.2 *Cash and cash equivalents***

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

### **5.3 *Debtors***

Debtors are recognized at fair value less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between that asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorization of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

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**5.4 *Borrowings and other financial liabilities***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not hold loans for trading purposes. Long term borrowings are utilized solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

**6. INVESTMENT PROPERTIES**

Investment property consists of timber plantations which has been leased to Mondi Forest. Investment property is recognized at its initial cost and revalued annually by a recognized professional valour to net realizable open market value for existing use. The carrying value of the property is adjusted to the revalued amount and the resultant surplus or deficit is credited or debited to the revaluation reserve. Impairment losses will be treated as a revaluation decrease to the extent that the impairment loss does not exceed the revaluation surplus for that same asset. Impairment losses over and above the revaluation surplus will be expensed to the statement of financial position.

**7. INVENTORIES**

Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

**Subsequent Measurement**

Consumable stores and maintenance materials are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

**UMVOTI MUNICIPALITY  
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Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct cost are accumulated for each separately identifiable development. Cost also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

## **8. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

## **9. TRADE CREDITORS**

Trade creditors are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method..

## **10. REVENUE RECOGNITION**

### ***10.1 Revenue from exchange transactions***

Services charges relating to electricity are based on consumption. Meters are read monthly and recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

**UMVOTI MUNICIPALITY  
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Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

### ***10.2 Revenue from non-exchange transactions***

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

## **11. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

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## **12. Leases**

### **12.1 Finance leases**

Leases of property plant and equipment are treated as finance leases if the lease transfers substantially all the risk and rewards incidental to ownership of the relevant asset to the municipality. Where a lease meets the definition of a finance lease, it is recognized in the statement of financial position as an asset and liability at the commencement of the lease term.

### **12.2 Operating lease**

Lease payments in terms of operating lease agreements are recognized as an expense in the statement of financial performance

## **13 PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

## **14. TAX**

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

## **15. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



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## **16. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **17. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **18. COMPARATIVE INFORMATION**

### ***18.1 Current Year Comparatives***

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

### ***18.2 Prior Year Comparatives***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**ACCOUNTING OFFICERS REPORT  
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**THE CHALLENGE OF CHANGE**

It has been a very challenging year for the Umvoti Municipality, Especially in regard to implementation of the provisions of the Municipal Legislation. The economic recession has negatively affected the community's ability to pay and this is reflected in the financial results.

It is commendable that, in my opinion as Municipal manager, the management team has excelled in ensuring that the Umvoti Municipality has delivered services to the community under very trying circumstances. The results for the year under review are set out as follows.

**Financial Statement Ratios**

	2011	2010
	R	R
Personnel Costs	25%	22%
Remuneration of Councillors	4%	4%
Bad Debts	1%	3%
Depreciation	16%	14%
Repairs And Maintenance	4%	3%
Bulk Purchases: Electricity	21%	18%
General Expenses	18%	24%
Contracted Services	10%	10%
Grants and Subsidies paid	1%	2%
Total Expenses	100%	100%

Post balance sheet events

Nil

**ACCOUNTING OFFICERS REPORT  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**RECONCILIATION OF BUDGET TO ACTUAL RESULTS**

**Operating Budget**

	R
Budget Surplus Before Appropriations	4 597 837
Revenue Variances	(7 730 321)
Expense Variances - Personnel Costs	3 678 658
Councilor's Remuneration	1 119 857
- General Expenses	(411 457)
- Electricity Purchases	2 520 689
- Repairs And Maintenance	202 741
- Depreciation	(803 532)
- Contracted Services	(2 183 207)
- Contributions doubtful debts	2 281 900
-Grants and subsidies	1 609 768
-Interest paid	(40 543)
<b>Actual Surplus Before Appropriations</b>	<b>4 842 390</b>

The positive revenue variances are explained in annexure "E1" to the financial statements

Major variations from the expenditure budget are explained in note 34 to the financial statements.

**Capital Budget**

DESCRIPTION	BUDGET	ACTUAL	VARIANCE
Buildings	600 000	3 180 456	2580456
Infrastructure	21 119 000	15 271 256	(5 734 126)
Community Assets	4 485 000	1259610	(3 225 390)
Heritage Assets	0		0
Housing	200 000		(200 000)
Other	4 688 500	1 271 469	(3 417 031)
<b>Total</b>	<b>31 092 500</b>	<b>20 982 791</b>	<b>(9 996 091)</b>

The savings are mainly due to delays in planning or arranging funding. The excess on buildings was mainly due to peace centers that were built from grants received which were not included in the capital budget.

**ACCOUNTING OFFICERS REPORT  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Speaker, Executive Committee and Councillors, the chief financial officer, Manager Corporate Services, Manager Engineering Services and staff in general, our financial consultant Mr S.D Van Der Merwe and in particular to the local representatives of the Auditor General for their support and willingness to go the extra mile during the 2010/2011 financial year, which proved to be a very difficult year for all..

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**I J M ARCHER  
ACTING MUNICIPAL MANAGER  
UMVOTI MUNICIPALITY**

**UMVOTI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2011**

	Note	2011 R	2010 R
<b>ASSETS</b>			
Current assets		71,459,188	58,956,771
Cash and cash equivalents	1	2,631,428	1,464,394
Trade receivables from exchange transactions	2	16,343,082	15,018,211
Other receivables from non-exchange transactions	3	5,471,716	2,372,808
Inventories	4	1,254,066	1,312,017
Investments	5	45,728,550	38,767,919
VAT receivable	6	5,886	
Current portion of non current receivables	7	24,460	21,422
<b>Non-current assets</b>		173,962,001	152,318,534
Property, plant and equipment	8	109,738,397	105,432,372
Long Term Receivables	7	34,297	61,681
Investment Property	9	64,189,307	46,824,481
<b>Total assets</b>		<u>245,421,189</u>	<u>211,275,305</u>
<b>LIABILITIES</b>			
Current liabilities		25,124,238	18,251,790
Trade and other payables	10	17,387,776	10,054,377
Consumer deposits	11	1,848,997	1,769,005
Current provisions	12	361,902	456,097
VAT Payable			208,967
Unspent conditional grants and receipts	13	5,400,543	5,656,584
Current portion of borrowings	14	125,020	106,760
<b>Non-current liabilities</b>		8,081,640	8,113,363
Long term liabilities	14	81,542	207,460
Post Retirement Benefits	12	6,791,000	6,791,000
Non - current provisions	12	1,209,098	1,114,903
<b>Total liabilities</b>		<u>33,205,878</u>	<u>26,365,153</u>
<b>Net assets</b>		<u>212,215,311</u>	<u>184,910,152</u>
<b>NET ASSETS</b>			
Housing Development Fund	15	9,474,901	8,630,505
Revaluation Reserve	9	64,189,307	46,824,481
Accumulated surplus	16	138,551,103	129,455,166
<b>Total net assets</b>		<u>212,215,311</u>	<u>184,910,152</u>

**UMVOTI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**for the year ending 30 June 2011**

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>REVENUE</b>			
Property rates	17	13,564,791	11,800,172
Property rates - penalties imposed and collection charges		1,180,312	1,084,832
Service charges	18	39,054,931	32,824,518
Rental of facilities and equipment		2,997,592	2,826,926
Interest earned - external investments		2,938,685	3,279,469
Interest earned - outstanding debtors		156,523	191,989
Fines		324,854	434,462
Licences and permits		2,071,286	1,655,984
Income for agency services		925,390	817,162
Government grants and subsidies	19	45,724,999	42,746,290
Other income	20	2,801,389	398,359
Gain on disposal of property, plant and equipment		91,043	84,668
Reversal of Bad Debt Provision	2		7,928,454
<b>Total Revenue</b>		<b>111,831,795</b>	<b>106,073,287</b>
<b>EXPENDITURE</b>			
Employee related costs	21	26,264,045	22,890,865
Remuneration of Councillors	22	4,315,947	4,348,039
Retirement and long service benefits	12		8,112,000
Bad debts	2	618,100	3,436,545
Depreciation		16,784,879	14,667,228
Repairs and maintenance		4,548,528	3,435,417
Interest paid	23	40,543	24,269
Bulk purchases	24	22,479,311	18,639,730
Contracted services	26	10,861,707	11,280,581
Grants and subsidies paid	25	1,390,232	1,533,578
General expenses	26	19,686,113	14,741,511
Loss on disposal of property, plant and equipment			
<b>Total Expenditure</b>		<b>106,989,405</b>	<b>103,109,763</b>
Gain on sale of Assets			
Change in Accounting Estimate			
<b>Surplus (Deficit) for the year</b>		<b>4,842,390</b>	<b>2,963,524</b>

Refer to Appendix E .1 for explanation of variances

**UMVOTI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2011

	<b>Housing Development Fund (note 1)</b>	<b>Revaluation Reserve</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Balance at 30 June 2010	8,630,505	46,824,481	129,455,167	184,910,153
Adjustment - previous year VAT claim			5,097,942	5,097,942
Balance at 30 June 2010 restated	8,630,505	46,824,481	134,553,109	190,008,095
Surplus(deficit) for the year	(7,561)		4,849,951	4,842,390
Transfer to Housing Development Fund	851,957		(851,957)	-
Farms:- Revaluation of Plantations		17,364,826		17,364,826
Balance at 30 June 2011	<u>9,474,901</u>	<u>64,189,307</u>	<u>138,551,103</u>	<u>212,215,311</u>
Balance at 30 June 2009	7,952,445	43,036,121	121,837,376	172,825,942
Adjustment - previous year conditional grant allocation			5,332,327	5,332,327
Balance at 30 June 2009 restated	7,952,445	43,036,121	127,169,703	178,158,269
Surplus(deficit) for the year	(4,868)		2,968,392	2,963,524
Transfer to Housing Development Fund	682,928		(682,928)	-
Farms:- Revaluation of Plantations		3,788,360		3,788,360
Balance at 30 June 2010	<u>8,630,505</u>	<u>46,824,481</u>	<u>129,455,167</u>	<u>184,910,153</u>

**UMVOTI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**for the year ending 30 June 2011**

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		108,831,893	93,671,377
Cash paid to suppliers and employees		(82,596,721)	(85,087,717)
Cash generated from (utilised in ) operations	27	26,235,172	8,583,660
Interest received		2,938,685	3,279,469
Interest paid	23	(40,543)	(24,269)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>29,133,314</b>	<b>11,838,860</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(21,096,410)	(24,073,476)
Purchase of housing infrastructure			
Proceeds on disposal of property, plant and equipment		91,043	84,667
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		27,384	19,055
(Increase) decrease in non - current investments			
(Increase) decrease in call investments			
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(20,977,983)</b>	<b>(23,969,754)</b>
<b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>			
New loans raised (repaid )		(107,658)	314,220
Increase (decrease ) in consumer deposits		79,992	155,278
Increase (decrease ) in short term loans			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(27,666)</b>	<b>469,498</b>
Net increase / (decrease) in net cash and cash equivalents		8,127,665	(11,661,396)
Cash and cash equivalents at the beginning of the year		40,232,313	51,893,709
<b>Net cash and cash equivalents at end of period</b>	1	<b>48,359,978</b>	<b>40,232,313</b>



**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> R	<u>2010</u> R
<b>1 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2,631,428	1,464,394
Short term deposits	45,728,550	38,767,919
	<u>48,359,978</u>	<u>40,232,313</u>
 The Municipality has the following bank accounts:		
Current account (Primary bank account)		
Absa Bank - Greytown Branch		
Account number - 4064988800		
 Cash book balance at beginning of year	1,462,164	1,758,861
Cash book balance at end of year	2,627,898	1,462,164
 Bank statement balance at beginning of year	9,085,637	2,998,326
Bank statement balance at end of year	2,622,856	9,085,637
 Summary of cash and bank balances		
Primary Bank Account	2,627,898	1,462,164
Other bank accounts		
Petty Cash	3,530	2,230
	<u>2,631,428</u>	<u>1,464,394</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> R	<u>2010</u> R	
<b>2 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
Balances at 30 June 2011			
	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,903,886	(1,224,463)	679,423
Rates	11,181,017	-	11,181,017
Electricity	4,603,532	(1,150,236)	3,453,296
Housing	876,387	(781,618)	94,769
Other	1,108,432	(173,854)	934,578
<b>Total</b>	<b>19,673,254</b>	<b>(3,330,171)</b>	<b>16,343,083</b>
Balances at 30 June 2010			
Service debtors	1,675,256	(673,774)	1,001,482
Rates	11,333,216	-	11,333,216
Electricity	3,542,883	(1,424,918)	2,117,965
Housing	623,419	(480,874)	142,545
Other	997,697	(574,694)	423,003
<b>Total</b>	<b>18,172,471</b>	<b>(3,154,260)</b>	<b>15,018,211</b>
Rates: Ageing			
Current ( 0 - 30 days)	1,761,309	1,304,083	
31 - 60 days	745,576	802,429	
61 to 90 days	573,163	641,167	
91 - 120 days	522,522	420,433	
121 days and over	7,657,052	8,165,104	
<b>Total</b>	<b>11,259,622</b>	<b>11,333,216</b>	
Electricity and other : Ageing			
Current ( 0 - 30 days)	3,322,557	3,032,592	
31 - 60 days	792,486	472,933	
61 to 90 days	344,395	242,326	
91 - 120 days	190,502	173,804	
121 days and over	3,763,692	2,917,600	
<b>Total</b>	<b>8,413,632</b>	<b>6,839,255</b>	
<b>GRAND TOTAL</b>	<b>19,673,254</b>	<b>18,172,471</b>	

Consumer debtors which are less than 3 months past due are not considered to be impaired.

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>3 TRADE RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS</b>		
Accrued interest on investments	361,951	381,617
UThukela Water	407,585	407,585
Government subsidies	4,242,702	1,866,666
Other	867,063	124,525
Total other debtors	5,879,302	2,780,393
Less : Provision for doubtful debts	(407,585)	(407,585)
	<u>5,471,716</u>	<u>2,372,808</u>

The fair value of other debtors approximates their carrying value

**4 INVENTORY**

Consumable stores at cost	357,534	384,118
Maintenance materials at cost	436,759	554,171
Spare Parts at authorised value	459,773	373,728
	<u>1,254,066</u>	<u>1,312,017</u>

Provision has been made for the write off of the short fall reflected in the year end physical stock count ( R 166 166 ) . This will be referred to Council for a decision.

**5 CALL INVESTMENT DEPOSITS**

Call and short term deposits with banks	<u>45,728,550</u>	<u>38,767,919</u>
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Deposits of R 5 400 543 are ring fenced and relate to unutilised conditional government grants

**6 VAT**

VAT refund due	638,531	450,730
Vat provision	(632,646)	(659,697)

VAT is payable on the receipts basis

	<u>5,886</u>	<u>(208,967)</u>
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The vat provision represents vat raised (Consumer Debtors) not yet received

**7 LONG TERM RECEIVABLES**

Housing selling scheme loans	50,701	72,141
Land sales	8,056	10,962
	<u>58,757</u>	<u>83,103</u>
Less: Current portion transferred to current receivables	(24,460)	(21,422)
	<u>34,297</u>	<u>61,681</u>

**HOUSING AND LAND SALE LOANS**

These loans were granted in accordance with the National Housing regulations. The monthly instalments are subsidised in terms of previous regulations.

**Land sales**

These subsidised loans were granted by the council to individuals to assist them to purchase dwellings

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**8 PROPERTY, PLANT AND EQUIPMENT**

	2011					2010				
	Cost	Accumulated depreciation	Carrying value	Transfers	Disposals	Work-in-progress	Depreciation	Accumulated depreciation	Cost	Carrying value
Land and Buildings	21,397,504	5,237,715	16,159,789					4,743,183	18,217,048	13,473,865
Infrastructure	143,279,519	77,716,140	65,563,379					64,509,972	127,894,645	63,384,673
Community	18,766,831	4,794,935	13,971,896					4,047,680	17,507,221	13,459,541
Heritage	314,588	49,142	265,446					38,559	314,588	276,029
Housing	16,121,640	7,743,868	8,377,772					7,078,760	16,121,640	9,042,880
Leased Assets	354,065	163,352	190,713					49,176	354,065	304,889
Other	18,495,767	13,286,364	5,209,404					12,088,327	17,578,822	5,490,495
<b>Total</b>	<b>218,729,913</b>	<b>108,991,515</b>	<b>109,738,398</b>					<b>92,555,657</b>	<b>197,988,028</b>	<b>105,432,372</b>

**Property, plant and equipment (continued)**

	2011					2010				
	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Total	Opening Balance	Additions	Disposals
Land and Buildings	13,473,864	3,180,456	-	-	-	(494,531)	16,159,789	63,384,673	15,271,256	-
Infrastructure	63,384,673	15,271,256	-	-	-	(13,206,168)	65,563,379	13,459,542	1,259,610	-
Community	276,029	-	-	-	-	(747,256)	13,971,896	9,042,880	-	-
Heritage	304,890	-	-	-	-	(10,582)	265,447	5,484,988	1,271,470	-
Housing	5,484,988	1,271,470	-	-	-	(665,108)	8,377,772	105,426,865	20,982,792	-
Leased Assets	-	-	-	-	-	(114,176)	190,714	105,426,865	1,271,470	-
Other	-	-	-	-	-	(1,547,055)	5,209,403	105,426,865	20,982,792	-
<b>Total</b>	<b>105,426,865</b>	<b>20,982,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,784,876)</b>	<b>109,738,399</b>	<b>105,426,865</b>	<b>20,982,792</b>	<b>-</b>

**2010**

	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Total
Land and Buildings	72,122,370	194,599	-	13,385,304	171,863	(277,901)	13,473,864
Infrastructure	9,955,241	13,239,330	-	(15,490,863)	4,993,454	(11,479,618)	63,384,673
Community	1,764,703	1,670,633	-	2,403,710	130,131	(700,173)	13,459,542
Heritage	-	-	-	(1,478,092)	-	(10,582)	276,029
Housing	-	1,834,444	-	7,849,706	-	(641,270)	9,042,880
Leased Assets	-	354,066	-	-	-	(49,176)	304,890
Other	12,183,814	1,484,953	-	(6,669,765)	543,578	(1,508,507)	6,034,073
<b>Total</b>	<b>96,026,128</b>	<b>18,778,024</b>	<b>-</b>	<b>-</b>	<b>5,839,025</b>	<b>(14,667,227)</b>	<b>105,975,950</b>

Refer to Appendix B for more detail on property, plant and equipment

The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>9 INVESTMENT PROPERTY</b>		
Valuation	64,189,307	46,824,481
Carrying value at beginning of Financial Year	46,824,481	43,036,121
Revaluation of timber	17,364,826	3,788,360
Carrying value at end of Financial Year	<u>64,189,307</u>	<u>46,824,481</u>

The timber plantations reflect their present value as prepared by an independent valuator being Mr A Daugherty.

The value of immature timber plantations has been determined by applying the Faustmann Formula which is a widely accepted method of determining the value of a plantation at any age from establishment to maturity.

The present prices for the various categories of timber have been applied, and the present day costs of harvesting, transport and other silvicultural operations as determined by the Forest Economics Services who monitor the cost of forestry operations on over 70% of timber plantations in South Africa.

**10 TRADE AND OTHER PAYABLES**

Trade creditors	7,329,320	3,785,524
Payments received in advance	3,759,945	1,418,412
Retention	3,035,913	2,632,469
Staff leave	1,640,075	1,127,973
Deposits other	1,485,155	1,083,496
Other creditors	137,369	6,503
	<u>17,387,777</u>	<u>10,054,377</u>

The fair value of trade and other creditors approximates their carrying value.

**11 CONSUMER DEPOSITS**

Electricity	1,848,997	1,769,005
	<u>1,848,997</u>	<u>1,769,005</u>

Guarantees held in lieu of electricity deposits ( R 342 900 )

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>12 PROVISIONS AND DEFINED BENEFITS</b>		
<b>12.1 Provisions Current</b>		
Performance bonus	250,000	250,000
Provision for Long Service awards	111,902	206,097
	<u>361,902</u>	<u>456,097</u>
The movement in provisions is reconciled as follows:		
Balance at beginning of year	250,000	330,187
Contributions to provisions	420,052	206,097
Expenditure	(308,150)	(80,187)
Transfer from non - current provisions		
Balance at end of year	<u>361,902</u>	<u>456,097</u>
<b>12.2 Defined Benefit Obligations - Long Service Awards</b>		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of year	1,321,000	
Current service cost		125,000
Interest cost		115,000
Amortisation - unrecognised net ( gain ) loss		(1,000)
Recognition of previously unrecognised defined benefit liability		1,082,000
	<u>1,321,000</u>	<u>1,321,000</u>
Less: transferred to current provisions	(111,902)	(206,097)
Balance at end of year	<u>1,209,098</u>	<u>1,114,903</u>
Employees receive additional leave in respect of long service awards, as follows:		
10 years service	10 days	
15 years service	20 days	
20 years service	30 days	
25 years service	30 days	
30 years service	30 days	
35 years service	30 days	
40 years service	30 days	
45 years service	30 days	
The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by IAS 19.		
The economic assumptions used in assessing the accounting provisions were as follows:		
Discount rate	0	
Inflation rate	0	
Salary increase rate	0	
<b>12.3 Retirement Benefits</b>		
Post employment medical benefits		
The Municipality operates on 2 accredited medical aid schemes namely Key Health and Bonitas.		
Pensioners continue on the option they belonged to on the day of their retirement. The independent valuator, Alexander Forbes Health (Pty) Ltd carried out a statutory valuation on 30 June 2010		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	0	
Health care cost inflation	0	
Salary inflation	0	
Number of continuation members	21	
Eligible in - service members	Nil	
A reconciliation of the accrued liability at 30 June is set out below:		
Balance at beginning of year	6,791,000	
Interest cost		603,000
Expected employer benefit payments		(358,000)
Actuarial( gain) loss		12,000
Recognition of previously unrecognised defined benefit liability		6,534,000
Balance at the end of the year	<u>6,791,000</u>	<u>6,791,000</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
13.1 Conditional grants from other spheres of government( see note 21 )	5,400,543	5,656,584
13.2 Other conditional receipts		
Public contributions	0	0
Total conditional grants and receipts	<u>5,400,543</u>	<u>5,656,584</u>
These amounts are invested in a ring - fenced investment until utilised. Refer Appendix F		
<b>14 LONG TERM LIABILITIES</b>		
Finance leases	206,562	314,220
Current portion of long term liabilities	<u>(125,020)</u>	<u>(106,760)</u>
Long term portion	<u>81,542</u>	<u>207,460</u>
<b>15 HOUSING DEVELOPMENT FUND</b>		
Unappropriated Surplus	9,463,481	8,619,085
Loans extinguished by Government on 1 April 1998	375,980	375,980
Contribution to cost of services - 492 sites	<u>(364,560)</u>	<u>(364,560)</u>
	<u>9,474,901</u>	<u>8,630,505</u>
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment ( see note 10 )		
Housing selling scheme loans ( see note 13 )	58,757	84,867
Housing rental and instalment debtors	92,499	127,889
Cash and cash equivalents	<u>9,323,645</u>	<u>8,417,749</u>
Sub - total	<u>9,474,901</u>	<u>8,630,505</u>
Creditors		
Total Housing Development Fund Assets and Liabilities	<u>9,474,901</u>	<u>8,630,505</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>16 ACCUMULATED SURPLUS</b>		
16.1 The following internal reserves are ringfenced within the Accumulated Surplus :		
Capital Replacement Reserve		
Balance at 30 June 2010	1,275,417	6,360,324
Transfer		
Property, Plant and Equipment purchased ex Capital Replacement Reserve	(867,113)	(5,084,907)
Balance at 30 June 2011	<u>408,304</u>	<u>1,275,417</u>
Government Grant Reserve		
Balance at 30 June 2010	76,762,376	73,700,013
Capital grants used to finance Property, Plant and Equipment	11,326,126	12,915,478
Transfer	(5,507)	
Offsetting of Depreciation	(10,909,098)	(9,853,115)
Balance at 30 June 2011	<u>77,173,896</u>	<u>76,762,376</u>
Capitalisation Reserve		
Balance at 30 June 2010	10,432,366	12,163,102
Transfer		
Offsetting of Depreciation	(1,497,270)	(1,730,736)
Balance at 30 June 2011	<u>8,935,096</u>	<u>10,432,366</u>
Other reserves	<u>52,033,807</u>	<u>40,985,008</u>
<b>TOTAL ACCUMULATED SURPLUS</b>	<u>138,551,103</u>	<u>129,455,167</u>
16.2 Accumulated Surplus		
Balance previously reported	129,455,167	121,837,376
Surplus(deficit) for the year		2,963,524
Transfer to Housing Development Fund		(678,060)
Transfer from Unspent Conditional Grants ( refer Appendix F )		5,332,327
Adjustment previous year VAT claim	5,097,942	
	<u>134,553,109</u>	<u>129,455,167</u>
 With reference to GRAP 3 the opening balances have been restated. The transactions could not be restated as the system could not be changed to rectify transactions in history		
16.3 Change in Accounting Estimate		
Reversal of Bad Debt Provision		<u>(7,928,454)</u>
Doubtful Debt Provision		
Balance at 1 July 2010	3,154,260	8,135,372
Write Off 2010/2011	(442,188)	(489,203)
Contribution 2010/2011	618,100	3,436,545
Reversal of Bad Debt Provision		(7,928,454)
Balance at 30 June 2011	<u>3,330,172</u>	<u>3,154,260</u>



**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>17 PROPERTY RATES</b>		
Actual		
Residential	8,390,406	7,707,650
Commercial	5,417,135	4,690,015
State	3,669,955	3,722,296
Agricultural	4,055,135	3,335,175
Municipal		425,570
Other	429,738	1,162,016
Sundry Adjustment		(14,975)
Total assessment rates	21,962,369	21,027,747
Rates rebates	(8,397,579)	(9,227,575)
	<u>13,564,790</u>	<u>11,800,172</u>
Valuations		
Residential	779,001,004	771,215,004
Commercial	346,072,017	332,764,017
Agricultural	1,330,041,725	1,334,175,725
State	247,623,029	254,501,029
Municipal	45,807,005	36,209,005
Other	131,675,330	132,120,331
Total property valuations	<u>2,880,220,110</u>	<u>2,860,985,111</u>

Rates rebates are offset from the property rates income amount reflected in the Statement of Financial Performance. These amounts were included under General Expenses in the 2009/2010 financial statements.

The following are the rate randages that were applied to the valuations in respect of various categories: Commercial and State - 1.62 cents in the rand, Agricultural and public service infrastructure 0.27cents in the rand, Residential and other 1.08 cent in the rand. All Residential property owners are exempt from paying rates on the first R60 000 of their property value. A 30 % rebate is applicable to residential, agricultural and public service infrastructure

**18 SERVICE CHARGES**

Electricity	34,012,574	28,276,393
Refuse removal	4,725,647	4,370,474
Other	316,710	177,651
	<u>39,054,931</u>	<u>32,824,518</u>

**19 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	30,039,841	24,564,624
Clinic subsidy	2,039,549	2,480,945
Museum subsidy	73,000	68,000
Conditional grants utilised to finance property, plant and equipment	11,326,126	12,915,478
Conditional grants utilised to finance operating expenses	1,792,402	2,662,232
Grant - skills development	62,887	55,011
Grant - library	391,194	
	<u>45,724,999</u>	<u>42,746,290</u>

Refer Appendix F

**20 OTHER INCOME**

VAT recovery	2,464,502	
Other income	336,887	398,359
	<u>2,801,389</u>	<u>398,359</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> R	<u>2010</u> R	
<b>21 EMPLOYEE RELATED COSTS</b>			
Employee related costs - salaries and wages	21,797,633	18,436,798	
Employee related costs - contributions to UIF, pension and medical costs	3,988,040	3,621,501	
Travel, vehicle, accommodation, subsistence and other allowances	1,537,613	1,521,776	
Housing benefits and other allowances	346,165	325,977	
Overtime payments	371,124	469,487	
Performance bonus			
Service allowance	1,032,274	889,610	
Sub-total	29,072,849	25,265,149	
Less: Employee costs allocated to Property, Plant and Equipment	(347,590)	(319,370)	
Less: Employee costs included in other expenses	(2,461,214)	(2,054,914)	
Total employee related costs	<u>26,264,045</u>	<u>22,890,865</u>	
There were no advances or loans to employees.			
Remuneration of the Municipal Manager			
Annual remuneration	0	98,906	
Performance bonus	0	0	
Car allowance	0	48,000	
Housing allowance	0	20,981	
Contributions to Medical and Pension Funds	0	0	
	<u>0</u>	<u>167,887</u>	
This post was vacant during the year under review			
Remuneration of the Chief Financial Officer			
Annual remuneration	316,000	209,706	
Performance bonus	87,441	0	
Car allowance	176,000	157,000	
Acting Allowance	56,748	40,376	
Housing Allowance	16,892	29,337	
Contributions to Medical and Pension Funds	14,371	10,866	
	<u>667,453</u>	<u>447,285</u>	
Remuneration of other managers			
30-Jun-2010			
	Corporate Services	Engineering Services	Protection Services
Annual remuneration	290,719	294,476	296,953
Performance bonus			
Leave pay			
Car allowance	162,000	139,500	162,000
Acting Allowance		52,991	62,769
Housing Allowance	35,255	29,338	33,615
Contributions to Medical and Pension Funds		26,759	
	<u>487,975</u>	<u>543,064</u>	<u>555,336</u>
30-Jun-2011			
Annual remuneration	316,000	316,000	316,000
Performance bonus	64,742	77,207	78,760
Leave pay			
Car allowance	184,418	165,659	188,812
Acting Allowance	37,674	77,312	7,869
Housing Allowance	33,578	17,834	33,578
Contributions to Medical and Pension Funds		30,810	
	<u>636,413</u>	<u>684,822</u>	<u>625,019</u>
Remuneration for managers is included under employee related cost.			
<b>22 REMUNERATION OF COUNCILLORS</b>			
Mayor	293,694	326,097	
Deputy Mayor	263,266	255,491	
Speaker	387,464	454,466	
Executive committee members	228,356	235,441	
Councillors	3,143,166	3,076,544	
	<u>4,315,947</u>	<u>4,348,039</u>	
In - kind benefits			
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.			
The Mayor has use of a Council owned vehicle for official duties			

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	2011 R	2010 R
<b>23 FINANCE COST</b>		
Finance leases	40,543	24,269
	<u>40,543</u>	<u>24,269</u>
<b>24 BULK PURCHASES</b>		
Electricity	22,479,311	18,639,730
	<u>22,479,311</u>	<u>18,639,730</u>
<b>25 GRANTS AND SUBSIDIES PAID</b>		
Indigent support	947,124	1,305,664
Widows and Elderly	174,658	53,483
Disabled persons	152,950	87,217
Other	115,500	87,214
	<u>1,390,232</u>	<u>1,533,578</u>
<b>26 GENERAL EXPENSES AND CONTRACTED SERVICES</b>		
<b>26.1 GENERAL EXPENSES</b>		
Advertisements	601,008	683,202
Rural area expenses	165,192	114,300
Civic honour function	43,180	501,996
Anti rabies	221,691	432,000
Audit fees	761,488	629,090
Cashier shortages and surplus	11,792	308
Stores shortages & surpluses	117,425	49,070
Bank charges	325,344	362,889
Delivery cost	2,489	3,175
Youth and sports	1,648,988	1,269,683
Women upliftment	441,378	305,149
Civic functions	253,132	286,242
Disconnections & reconnections	28,496	26,129
Community participation	1,475,282	587,826
Departmental services	1,341,157	1,104,663
Delegation fees	727,621	724,688
Dist losses - control measures	3,557	26,593
Election expenses	5,752	
Entertainment	32,174	41,126
Dept services water and sewer	356,798	312,425
Professional drivers permits	836	295
Local economic development programme	1,375,175	497,193
Fire breaks	3,504	
Street signs	16,392	4,648
Health campaign	750	11,830
Insecticide & weed killer	59,649	2,855
Insurance	406,831	350,503
Fruitless expenses	831,206	
Hire of equipment	254,143	88,051
Legal fees	786,668	870,350
Licences	11,179	1,152
Commission paid - prepaid electricity	21,913	
Lost and damaged books	5,766	
Night soil/conservancy	39,263	42,694
Machinery costs	246,118	310,324
Material	152,204	191,189
Meter reading	140,851	180,393
Medical supplies	11,698	39,376
Membership fees	187,342	115,528
Pauper burials	167,283	152,515
Pruning	2,130	29,813
Postage and stamps	112,086	190,377
Printing and stationery	401,948	406,377
Printing: Drawing office	162	393
Private ordinances and acts	35,279	33,087
Publicity	309,926	179,557
Refreshments	68,663	76,214
Reference books & periodicals	27,194	32,477
Refuse bags	377,655	334,821
Photocopier rental	32,531	30,818
Security	1,004,517	852,820
Shrubs & Trees	14,254	11,447
Scholar patrols	87,346	85,002
Telephone	731,905	604,617
Training	181,977	279,821
Transport costs	1,910,831	1,683,630
Workmans Compensation	151,850	
Finance Management Grant expenditure	926,107	
Phasiwe farm grant expenditure		142,601
<b>GENERAL EXPENSES</b>	<u>19,659,076</u>	<u>15,293,323</u>
<b>LESS RECHARGES</b>		
Handling charge	(201,871)	(181,924)
Transport: Capital	(55,955)	(34,932)
Transport: Operating	(535,390)	(443,841)
<b>Recharges</b>	<u>(793,216)</u>	<u>(660,697)</u>
<b>ADD</b>		
Contrib leave, bonus, long service	820,252	108,885
<b>TOTAL GENERAL EXPENSES</b>	<u>19,686,113</u>	<u>14,741,511</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>26.2 CONTRACTED SERVICES</b>		
Consultants/Contractors	9,584,260	6,151,831
Grant Exp. MSIG	30,750	326,722
Refuse disposal		478,800
Rural electrification	247,766	1,430,030
Valuation expenses	141,215	492,093
Interdepartmental monitoring	25,018	33,880
Finance Management grant expenditure		922,771
IEC Eshane development grant expenditure	39,365	127,102
DTLGA: Corridor development expenses	793,334	1,317,351
<b>TOTAL CONTRACTED SERVICES</b>	<b>10,861,708</b>	<b>11,280,581</b>

Extraordinary and/or unforeseen expenses	0	-
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**27 CASH GENERATED FROM OPERATIONS**

Surplus for the year	<b>4,842,390</b>	<b>2,963,524</b>
Adjustment for :		
Prior year	5,103,448	
Depreciation	16,784,879	14,667,228
Gain on disposal of property, plant and equipment	(91,043)	(84,667)
Contributions to provisions- non-current		7,905,903
Contributions to provisions - current		125,910
Contributions to bad debt provision	175,911	2,947,343
Change in Accounting Estimate		(7,928,454)
Expenditure ex provisions		
Investment income	(2,938,685)	(3,279,469)
Interest paid	40,543	24,269
Operating surplus before working capital changes	23,917,443	17,341,587
(Increase) decrease in consumer debtors	(1,500,783)	(5,189,168)
(Increase) decrease in other debtors	(3,098,908)	174,416
Increase (decrease ) in conditional grants and receipts	(256,041)	(5,855,048)
Increase (decrease ) in creditors	7,333,399	1,694,671
(Increase ) decrease ) in Vat	(214,853)	530,673
(Increase) decrease in inventories	57,951	(115,703)
(Increase) decrease in current portion of long term debtors	(3,038)	2,233
Increase (decrease ) in provisions		
	<b>26,235,170</b>	<b>8,583,661</b>

**28.1 Contributions to organised local government**

Opening balance		
Council contributions	166,845	95,292
Amount paid - current year	166,845	95,292
Amount paid - previous years		
Balance unpaid ( included in creditors )		-

**28.2 Audit fees**

Opening balance		
Current year audit fee	761,488	629,090
Amount paid current year		
Amount paid - previous years		
Balance unpaid ( included in creditors )		

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
28.3 VAT		
Opening balance	450,730	820,806
Output VAT	(4,797,509)	(4,920,072)
Input VAT	14,755,926	6,810,860
Amount paid - current year	523,783	88,725
Amount refunded by SARS - current	(10,228,746)	(2,349,589)
SARS adjustments to VAT claims	(65,654)	
Amount due by SARS - included in debtors	<u>638,531</u>	<u>450,730</u>

All VAT returns have been submitted by the due date.

28.4 PAYE and UIF

Opening balance		
Current year payroll deductions and Council UIF contributions	3,152,200	2,829,687
Amount paid - current year	3,152,200	2,829,687
Amount paid - previous years		
Balance unpaid ( included in creditors )		-

28.5 Pension and medical aid deductions

Opening balance		
Current year payroll deductions and Council contributions	5,848,813	4,722,828
Amount paid - current year	5,848,813	4,722,828
Amount paid - previous years		
Balance unpaid ( included in creditors )		-

28.6 Councillors arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2011	Total	Outstanding more than 90 days	Outstanding less than 90 days
PT Zuma		323	90
M R Dlamini		183	769
A H Shaik		162	177
30 June 2010	Total	Outstanding more than 90 days	Outstanding less than 90 days
PT Zuma		1,633	306
PT Ngubane		16,169	1,218
PMS Ngubane		31,875	

29 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- approved and contracted for		
Infrastructure	236,382	7,200,000
Buildings		5,000,000
Heritage		
Other		
Housing Development Fund		
Investment properties		
- approved but not yet contracted for		
Infrastructure	40,075,458	14,670,000
Buildings	213,000	500,000
Heritage		
Other	4,841,155	7,080,000
Housing Development Fund		
Investment properties		
	<u>45,365,995</u>	<u>34,450,000</u>
This expenditure will be financed from		
- capital replacement reserve	83,000	
- government grants	31,534,645	14,249,000
- own resources	13,748,350	20,201,000
	<u>45,365,995</u>	<u>34,450,000</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
<b>30 RETIREMENT BENEFIT INFORMATION</b>		
<p>Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2008</p>		
<b>30.1 SUPERANNUATION FUND</b>		
<p>The Actuary advised that the DCF method has been applied based on this method it has resulted in a short fall of 1.69% of pensionable salaries. This short fall will be addressed at the next Statutory valuation of the fund.</p>		
<b>30.2 RETIREMENT FUND</b>		
<p>The actuary has advised the following</p>		
<p>30.2.1. The result of the latest interim valuation was satisfactory</p>		
<p>30.2.2. On the DCF method the funding level has improved and the overall shortfall has decreased. This is partly due to the surcharge that is being paid into the fund to fund the shortfall</p>		
<p>30.2.3. An extension of the surcharge for another 2 years after 2010 will be required to bring the funding level of the fund to 100%</p>		
<b>30.3 Provident Fund</b>		
<p>The actuary is satisfied that the assets of the Fund are appropriate given the liabilities</p>		
<b>30.4 Sala Pension Fund</b>		
<p>30.4.1 The Fund is 96% funded at he current valuation date</p>		
<p>30.4.2 The actuary is satisfied that no additional action is required at this stage to rectify the situation</p>		
<b>31 CONTINGENT LIABILITIES</b>		
<p>Three matters are currently on the roll of the high court and one is at arbitration stage to date values of cost is not known the estimated cost for all matters amounts to 500 000</p>		
<p>31.1 Dispute of sale in execution Mr Mkize</p>		
<p>31.2 Appointment of Municipal Manager</p>		
<p>31.3 Umvoti Municipality versus SALA pension fund</p>		
<b>32 RELATED PARTY DISCLOSURE</b>		
<p>Zondac Project Consultants (Councillor SV Zondi)</p>		
<p>PG Mavundla Projects</p>		
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>33.1 Unauthorised expenditure</b>		
<p>Reconciliation of unauthorised expenditure</p>		
<p>Opening balance</p>		
<p>Approved by Council or condoned</p>		
<p>Transfer to receivables for recovery</p>		
<p>Unauthorised expenditure awaiting authorisation</p>		
<b>33.2 Irregular expenditure subject to investigation</b>		
Opening Balance	3,088,899	3,088,899
Irregular expenditure - Current year	831,206	
	<u>3,920,105</u>	<u>3,088,899</u>
<p>Forensic Investigations are currently being conducted and this matters will be reported to the SAPS</p>		
<b>33.3 Deviation from SCM policy approved by Accounting Officer awaiting ratification by Council</b>		
	420,000	420,000
	<u>420,000</u>	<u>420,000</u>

**UMVOTI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**34 Operating revenue and expenditure variances compared to annual budget**  
APP E(1)

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	Variance %	Explanation of significant variances
Property rates	13,564,791	15,348,606	(1,783,815)	-11.62	Over Budgeted
Property rates - penalties imposed and collection charges	1,180,312	1,100,000	80,312	7.30	
Service charges	39,054,931	38,954,040	100,891	0.26	
Rental of facilities and equipment	2,997,592	2,813,000	184,592	6.56	
Interest earned - external investments	2,938,685	1,600,000	1,338,685	83.67	Interest allocated to housing fund not included in operating budget
Fines	156,523	345,400	(188,877)	-54.68	Over provision
Licences and permits	324,854	854,400	(529,546)	-61.98	Over provision
Income for agency services	2,071,286	1,787,830	283,456	15.85	Underprovision
Government grants and subsidies	925,390	836,000	89,390	10.69	
Other income	45,724,999	55,752,000	(10,027,001)	-17.99	Project delays eg housing
Gain on disposal of property, plant and equipment	2,801,389	70,840	2,730,549	3854.53	Vat recovery due to vat audit
Reversal of Bad Debt Provision	91,043	100,000	(8,957)	-8.96	
<b>Total Revenue</b>	<b>111,831,795</b>	<b>119,562,116</b>	<b>-7,730,321</b>	<b>-6.47</b>	

EXPENDITURE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of significant variances
Employee related costs	26,264,045	29,942,703	(3,678,658)	(12.29)	Over provision
Remuneration of Councillors	4,315,947	5,435,804	(1,119,857)	(20.60)	Over provision
Bad debts	618,100	2,900,000	(2,281,900)	(78.69)	
Retirement and long service benefits	16,784,879	15,981,347	803,532	5.03	
Depreciation	4,548,528	4,751,269	(202,741)	(4.27)	
Repairs and maintenance	40,543	25,000,000	(2,520,689)	(10.08)	Eskom prices lower than provided for
Interest paid	22,479,311	8,678,500	2,183,207	25.16	Payment to service provider for vat audit
Bulk purchases	10,861,707	3,000,000	(1,609,768)	(53.66)	Over provision
Contracted services	1,390,232	19,274,656	411,457	2.13	
Grants and subsidies paid	19,686,113	-	-	-	
General expenses					
Loss on disposal of property, plant and equipment					
<b>Total Expenditure</b>	<b>106,989,405</b>	<b>114,964,279</b>	<b>(7,974,874)</b>	<b>(6.94)</b>	
<b>Surplus (Deficit) for the year</b>	<b>4,842,390</b>	<b>4,597,837</b>			

UNWOTLOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2011

35 Acquisition of Property Plant and Equipment variances compared to annual budget  
see appendix 2

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances
<b>LAND AND BUILDINGS</b>							
Land							
Buildings	3,180,450		3,180,450	000,000	2,580,450	430,08	Pence Centres were not included in the original budget
Survey fees							
	3,180,450		3,180,450	000,000	2,580,450	430,08	
<b>INFRASTRUCTURE</b>							
Construction works - Roads	10,510,828	92,018	10,602,846	16,720,000	(8,110,554)	(30,55)	Delays in procurement of services
Construction works - Storm Water	780,498	21,000	801,498	1,095,000	(293,502)	(26,80)	Project commenced late and is carried over
Construction works - Pavements				22,000	(22,000)	(100,00)	Savings effected
Construction works - Bus and Taxi Rank							
Electricity reticulation	3,888,550		3,888,550	3,000,000	888,550	29,02	Curbing of losses resulted in over expenditure
Water reticulation							
Streetslights	29,359		29,359	30,000	(641)	(2,14)	
Robots				182,000	(182,000)		
Road Name signs	56,021		56,021	90,000	(33,979)		
	15,271,256	113,018	15,384,274	21,119,000	(5,734,726)	(37,75)	Over budgeted
						(27,15)	
<b>COMMUNITY ASSETS</b>							
Cemetery	306,971		306,971	500,000	(193,029)	(26,81)	PROJECT STILL ONGOING
Public Convenience				100,000	(100,000)	(100,00)	PROJECT DELAYED
Community Halls	254,719		254,719	900,000	(645,281)	(71,70)	PRIORITIES SHIFTED
Creeches	270,000		270,000	935,000	(665,000)	(71,12)	PRIORITIES SHIFTED
Sports Fields	367,820		367,820	2,000,000	(1,632,080)	(81,60)	LATE RECEIPT OF FUNDING
Parks and Gardens				50,000	(50,000)	(100,00)	PROJECT PUT ON HOLD
	1,259,010		1,259,010	4,485,000	(3,225,990)	(71,92)	
<b>HERITAGE ASSETS</b>							
Museum exhibits							
Works of Art							
<b>HOUSING</b>							
Housing				200,000	(200,000)	(100,00)	DELAY IN FUNDING
<b>OTHER ASSETS</b>							
Air conditioners	26,013		26,013	75,000	(45,987)	(61,32)	DELAY IN PROCUREMENT PROTECTION SERVICES OFFICE STILL UNDER CONSTRUCTION
Furniture	23,648		23,648	285,500	(261,852)	(91,72)	FINANCIAL SYSTEM STILL IN PLANNING PHASE
Office machines	91,816		91,816	993,000	(901,184)	(90,75)	DELAY IN PROCUREMENT
Tools	95,912		95,912	135,000	(39,088)	(100,00)	DELAY IN PROCUREMENT
Machinery				570,000	(570,000)	(34,51)	OVER BUDGET
Vehicles and equipment	1,001,852		1,001,852	1,530,000	(528,048)	(87,2)	PRIORITIES SHIFTED
Radars	20,128		20,128	30,000	(9,872)	(100,00)	REPLACEMENT OF BINS DELAYED
Security measures				1,050,000	(1,050,000)	(100,00)	
Bins and Containers				20,000	(20,000)	(100,00)	
Leased assets							
	1,271,469		1,271,469	4,685,500	(3,414,031)	(72,88)	
<b>Total</b>	20,982,701	113,018	21,095,719	31,092,500	(9,996,781)	(32,15)	



UMVOTI LOCAL MUNICIPALITY  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2010 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2011 R	Carrying value of property plant & equip. R
Lease - Technologies Acceptances	1	2013	314,220		(107,658)	206,562	
<b>TOTAL</b>			<u>314,220</u>		<u>(107,658)</u>	<u>206,562</u>	

UNWOTILOCAL MUNICIPALITY

APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
at 30 June 2011

Description	Cost/Revaluation			Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Disposals R	
<b>LAND AND BUILDINGS</b>							
Land	10,502,477				10,502,477		10,502,477
Buildings	7,226,786	3,180,456			10,407,242		5,300,298
Survey fees	487,785				487,785		357,014
	18,217,048	3,180,456	0	0	21,397,504	0	16,159,789
<b>INFRASTRUCTURE</b>							
Construction works - Roads	85,761,137	10,609,447			96,370,584		49,134,936
Construction works - Storm Water	5,234,979	801,498			6,036,477		2,494,613
Construction works - Pavements	6,254,237				6,254,237		5,978,676
Construction works - Bus and Taxi Rank	6,796,482				6,796,482		1,150,896
Electricity reticulation	22,702,855	3,888,550			26,591,405		12,341,037
Water reticulation	95,424				95,424		3,645
Streetslights	892,053	29,359			921,412		109,290
Robots	1,000				1,000		0
Road Name signs	156,477	56,021			212,497		53,400
	127,894,645	15,384,874	0	0	143,279,519	0	65,563,379
<b>COMMUNITY ASSETS</b>							
Cemetery	2,118,768	366,971			2,485,738		0
Public Convenience	850,249				850,249		1,915,710
Community Halls	2,727,758	254,719			2,982,477		327,934
Creches	3,209,742	270,000			3,479,742		6,219,335
Sports Fields	261,976	367,920			629,896		2,170,205
Parks and Gardens	17,507,221	1,259,610			18,766,831		3,082,355
							261,976
							13,971,896
<b>HERITAGE ASSETS</b>							
Museum exhibits	632				632		0
Works of Art	313,956				313,956		265,446
	314,588	0			314,588		265,446
<b>HOUSING</b>							
Housing	16,121,640				16,121,640		8,377,772
							8,377,772
<b>OTHER ASSETS</b>							
Air conditioners	399,124	29,013			428,137		180,994
Furniture	1,520,852	23,648			1,544,500		407,238
Office machines	3,666,050	91,816			3,757,867		347,123
Tools	1,681,004	95,912			1,776,916		113,254
Machinery	868,731				868,731		80,533
Vehicles and equipment	6,105,992	1,001,952			7,107,944		2,692,545
Radios	204,012	29,128			233,140		34,763
Security measures	1,431,233				1,431,233		392,028
Bins and Containers	1,696,318				1,696,318		960,927
Leased Assets	354,065				354,065		190,713
	17,927,380	1,271,470	0	349,018	19,547,868	349,018	5,400,116
							109,738,398
<b>Total</b>	197,982,521	21,096,410	0	349,018	219,729,913	349,018	109,738,398

UMVOTI LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

at 30 June 2011

	Cost/ Revaluation			Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	
Executive and Council	33,123,437	1,328,036		218,198	34,233,275	11,105,904	22,096,447
Finance and Admin	15,275,680	74,864			15,350,544	6,481,249	8,142,513
Planning and Development	1,517,882				1,517,882	180,076	1,279,709
Health	950,386				950,386	695,057	214,621
Community & Social Services	5,365,234	402,770			5,768,004	2,282,377	3,263,913
Public Safety	1,315,502	83,835		255	1,399,082	1,202,054	162,178
Sport and Recreation	2,651,390				2,651,390	1,501,517	965,379
Environmental Protection	5				5	5	0
Waste Management	4,268,739	175,438			4,444,177	1,927,580	2,007,461
Road Transport	106,277,904	16,368,249			122,646,153	50,561,697	59,343,677
Electricity	26,909,943	2,663,218		130,565	29,442,596	16,315,543	12,242,060
Other	326,419				326,419	302,597	20,440
	197,982,521	21,096,410	0	349,018	218,729,913	92,555,656	109,738,398

UMVOTI LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
66,585,648	33,555,610	33,030,038	Executive and Council	30,539,649	25,767,467	4,772,182
6,886,697	12,624,918	(5,738,221)	Finance and Admin	32,752,234	9,311,155	23,441,079
1,585,906	2,752,410	(1,166,504)	Planning and Development	828,930	3,269,398	(2,440,468)
2,480,945	2,773,992	(293,047)	Health	2,039,549	2,993,341	(953,792)
186,044	1,779,695	(1,593,651)	Community & Social Services	615,064	2,186,410	(1,571,346)
31,293	1,140,473	(1,109,180)	Housing	29,220	1,083,311	(1,054,091)
478,913	5,934,720	(5,455,807)	Public Safety	447,701	6,767,169	(6,319,468)
26,088	3,292,567	(3,266,479)	Sport and Recreation	29,519	3,646,701	(3,617,182)
		-	Environmental Protection			-
4,370,474	6,293,550	(1,923,076)	Waste Management	4,742,078	5,930,571	(1,188,493)
2,427,439	13,772,860	(11,345,421)	Road Transport	2,951,977	16,687,082	(13,735,105)
28,276,393	25,507,553	2,768,840	Electricity	34,025,118	28,513,422	5,511,696
1,965,024	2,908,990	(943,966)	Other	2,000,760	3,382	1,997,378
						-
115,300,862	112,337,338	2,963,524	Sub - total	111,001,799	106,159,409	4,842,390
115,300,862	112,337,338	2,963,524		111,001,799	106,159,409	4,842,390

UMVOTI LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2011

	2011				Explanation of significant variances greater than 10 % versus budget
	Actual R	Budget R	Variance R	Variance %	
<b>REVENUE</b>					
Property rates	13,564,791	15,348,606	(1,783,815)	-11.62%	
Property rates - penalties imposed and collection charges	1,180,312	1,100,000	80,312	7.30%	
Service charges	39,054,931	38,954,040	100,891	0.26%	
Rental of facilities and equipment	2,997,592	2,813,000	184,592	6.56%	
Interest earned - external investments	2,938,685	1,600,000	1,338,685	83.67%	
Interest earned - outstanding debtors	156,523	345,400	(188,877)	-54.68%	
Fines	324,854	854,400	(529,546)	-61.98%	
Licences and permits	2,071,286	1,787,830	283,456	15.85%	
Income for agency services	925,390	836,000	89,390	10.69%	
Government grants and subsidies	45,724,999	55,752,000	(10,027,001)	-17.99%	
Other income	2,801,389	70,840	2,730,549	3854.53%	
Gain on disposal of property,plant and equipment	91,043	100,000	(8,957)	-8.96%	
<b>Total Revenue</b>	<b>111,831,795</b>	<b>119,562,116</b>	<b>(7,730,321)</b>		
<b>EXPENDITURE</b>					
Employee related costs	26,264,045	29,942,703	(3,678,658)	-12.29%	
Remuneration of Councillors	4,315,947	5,435,804	(1,119,857)	-20.60%	
Retirement and long service benefits					
Bad debts		2,900,000	(2,900,000)	-100.00%	
Collection costs					
Depreciation	16,784,879	15,981,347	803,532	5.03%	
Repairs and maintenance	4,548,528	4,751,269	(202,741)	-4.27%	
Interest paid	40,543		40,543		
Bulk purchases	22,479,311	25,000,000	(2,520,689)	-10.08%	
Contracted services	10,861,707	8,678,500	2,183,207	25.16%	
Grants and subsidies paid	1,390,232	3,000,000	(1,609,768)	-53.66%	
General expenses	19,675,752	19,274,656	401,096	2.08%	
Loss on disposal of property,plant and equipment					
<b>Total Expenditure</b>	<b>106,360,944</b>	<b>114,964,279</b>	<b>(8,603,335)</b>		
Gain on sale of Assets					
Change in Accounting Estimate					
Profit / (loss) on fair value adjustment					
<b>Surplus (Deficit) for the year</b>	<b>5,470,851</b>	<b>4,597,837</b>	<b>(873,014)</b>		

**UMVOTI LOCAL MUNICIPALITY**  
**APPENDIX E ( 2 )**  
**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Additions R</b>	<b>Under Construction R</b>	<b>2011 Total Additions R</b>	<b>Budgeted Additions R</b>	<b>Variance</b>
<b>Buildings</b>	3,180,456		3,180,456		3,180,456
<b>Infrastructure</b>					
Construction works - Roads	10,609,447		10,609,447		10,609,447
Construction works - Storm Water	801,498		801,498		801,498
Construction works - Pavements	-		-		-
Construction works - Bus and Taxi Rank	-		-		-
Electricity reticulation	3,888,550		3,888,550		3,888,550
Water reticulation	-		-		-
Streetlights	29,359		29,359		29,359
Robots	-		-		-
Road Name signs	56,021		56,021		56,021
Cemeteries	366,971		366,971		366,971
	15,751,845	-	15,751,845	-	15,751,845
<b>Community Assets</b>					
Public Convenience	-	-	-		-
Community Halls	254,719	-	-		-
Creches	270,000	-	-		-
Sports Fields	367,920	-	-		-
Parks and Gardens	-	-	-		-
	892,640	-	16,174,837	-	16,174,837
<b>Other Assets</b>					
Air conditioners	29,013		-		-
Furniture	23,648				
Office machines	91,816				
Tools	95,912				
Machinery					
Vehicles and equipment	1,001,952	-	1,001,952		1,001,952
Radios	29,128	-	29,128		29,128
Security measures		-	-		-
Bins and Containers		-	-		-
Leased Assets		-	-		-
	1,271,470	-	1,031,081	-	1,031,081
<b>Total</b>	<b>21,096,411</b>	<b>-</b>	<b>36,138,218</b>	<b>-</b>	<b>36,138,218</b>

UMVOTI MUNICIPALITY  
APPENDIX F  
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA ACT 56 OF 2003  
for the year ended 30 June 2011

Description	Name of organ of State	Unspent balance at 1 July 2010	Adjustment previous year	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions YES/NO	Reason for non-compliance
Grants - general	Unspecified	160					160	N/A		YES	
MSIG grant	Department of Traditional and Local Government Affairs	250,000					250,000	N/A		YES	
AMG	Department of Traditional and Local Government Affairs	525,000		10,937,487	(10,937,487)		0	N/A		YES	
Sport and recreation	Department of Traditional and Local Government Affairs	0		325,000	(387,920)		682,080	N/A		YES	
Cemetery grant	Department of Traditional and Local Government Affairs	0					0	N/A		YES	
Grant - IDP	National Treasury	0					0	N/A		YES	
Equitable share	Library Services	4,641			(15,211)		(15,211)	N/A		YES	
Grant - library	Department of Traditional and Local Government Affairs	0					4,641	N/A		YES	
Grant - taxi rank	National Treasury	113,475					113,475	N/A		YES	
Finance Management	Department of Traditional and Local Government Affairs	0		1,200,000	(926,107)		273,893	N/A		YES	
Municipal Systems Improvement	Department of Traditional and Local Government Affairs	150,000			(30,750)		119,250	N/A		YES	
LUMS	Department of Traditional and Local Government Affairs	40,595					40,595	N/A		YES	
Municipal Finance Management	National Treasury	228					228	N/A		YES	
Housing plan grant	Department of housing	0					0	N/A		YES	
Specific program grant	National Treasury	101,367					101,367	N/A		YES	
GLUMA KZN grant	Department of Traditional and Local Government Affairs	12,451					12,451	N/A		YES	
Development of policies	Umzingathi District Municipality	0					0	N/A		YES	
IDP grant	Umzingathi District Municipality	0					0	N/A		YES	
Grant - financial plan	Umzingathi District Municipality	0					0	N/A		YES	
Grant - Phakwe farm	Department of Traditional and Local Government Affairs	17,399					17,399	N/A		YES	
Spatial planning	Department of Traditional and Local Government Affairs	0					0	N/A		YES	
Management Assistance Project	Department of Traditional and Local Government Affairs	100,000					100,000	N/A		YES	
Library - computer expenses	Department of Traditional and Local Government Affairs	78,900					78,900	N/A		YES	
Corridor development	Department of Traditional and Local Government Affairs	1,279,603			(790,731)		488,872	N/A		YES	
Eshene development	Department of Traditional and Local Government Affairs	161,262					310,940	N/A		YES	
Storm damage	Department of Traditional and Local Government Affairs	2,821,500		200,000	(50,322)		2,821,500	N/A		YES	
Hostel upgrade	Department of housing	0					0	N/A		YES	
		5,050,563		12,902,487	(13,118,529)	0	5,400,542				